



HEALTHY CREDIT

Have you ever wondered about credit reports, credit scores and how to protect your personal information? **Read more and learn how to keep your credit healthy.**

Jeanne S. answered an ad that promised 0% financing for her new car. When she got to the dealership, the best she could get was 6%.

Marco N. and his wife found their dream house. But their loan officer told them that the interest rate they qualified for was so high that they couldn't afford the house anymore.

Karen W., after a long search, found an apartment to rent—but the landlord turned her down as a tenant, after he ran a credit check on her.

All of these peoples' lives were affected by information in their credit report. Sometimes our own credit history affects us—decisions that we make ourselves. Sometimes we are hurt by the things that other people do—through errors on our reports or, worse still, identity theft.

Did You Know?

Seven states have laws that give consumers one free credit report from each of the three consumer reporting companies each year. If you live in Colorado, Georgia, Maine, Maryland, Massachusetts, New Jersey or Vermont, you can contact Equifax, Experian and TransUnion directly to get your free reports. You're still eligible to get your free reports from www.annualcreditreport.com too.

Credit Reports and Credit Scores

Q. What is a credit report?

- A. It's a history of how you pay your bills. It also includes where you live, whether you've been sued, arrested, or filed for bankruptcy, and which companies have checked on your credit-worthiness. All of this information is collected by three nationwide consumer reporting companies. You should know that the information that they've collected may not always be the same, so it's important to check out all three companies when you check your credit history.

Q. What is a credit score?

- A. Information in your credit report is boiled down into a number that helps lenders and others decide whether to give you credit—and at what rate. It's supposed to represent how likely you are to repay your debts, because it's based on information in your credit report. Scores range from 300 to 850. Most people score in the 600 to 700 range.

Q. Why do they matter?

- A. The better your credit history, the higher your credit score. The higher your credit score, the lower your interest rates will be. That's true if you're buying a home or car, or if you're simply using a credit card. To creditors, a higher score means you're a lower risk, so companies will charge you less to loan you money.

Even if you're not in the market for more credit, you should know that your credit history and score may both affect whether you can get auto or home insurance, and how much you'll pay for it. Since many landlords check credit histories, your credit may also affect whether or not you can rent an apartment. The same is true of employers. Many now check credit histories before offering you a job.

Q. How can I get my credit report?

- A. There are several ways. The best place to start is by requesting your **free** reports. A new right, by law, allows each of us to get one free credit report from each of the three nationwide consumer reporting companies (CRCs): Equifax, Experian, and TransUnion.

There's only **one** source for the free reports, but you can request them online, by phone, or by mail. Here's how:

- **On-line:** www.annualcreditreport.com
- **Phone:** 1-877-322-8228
- **Mail:** Annual Credit Report Service
P.O. Box 105281
Atlanta, GA 30348-5281

Use the form on page 5 to mail your request. You can request one, two, or all three reports at a time. It's up to you. You'll have to give your name, address, Social Security number, and date of birth to get your reports. You may also have to answer some questions with information that only you would know—such as the amount of your monthly mortgage or car payment. This is to protect the security of your credit information.

You'll be able to get your **free** reports every 12 months. But if you want to check your reports in the meantime, you can always buy them. They cost about \$9.00 and are available directly from the three nationwide CRCs. You can request your reports on-line or by phone. Here's how:

- ▶ **Equifax:** www.equifax.com
800-685-1111
- ▶ **Experian:** www.experian.com
888-EXPERIAN (888-397-3742)
- ▶ **Trans Union:** www.transunion.com
800-916-8800

Q. Should I buy my credit score?

A. Different CRCs may have different scores for you. If you're about to make a big purchase, it probably pays to find out which score your lender will be checking. Much of the time, that's your FICO score. You can buy that score at www.myfico.com. You can also buy your credit score directly from the three CRCs. If you're not making a big purchase, though, you may not need to check your score very often. What's most important is being sure that the information in your credit report is accurate—and actually belongs to you.

Making Sure Your Credit Report is Correct

Q. How do I read my credit report?

A. Once you've ordered and received your credit report, the next step is to understand it and make sure it is correct. Your credit report is a history of your debts and how you have paid them, and you should review it carefully. Each consumer reporting company arranges its reports in a slightly different format, but all the reports have similar groups of information and share some basic categories. You will see:

Personal Information: including your name, address, Social Security number, date of birth, and current employment.

Credit Account Information: listing all the credit accounts you have opened in the last seven to 10 years—sometimes longer. It includes accounts that are currently active and closed accounts. You will see specific information, including:

- ▶ account number;
- ▶ creditor's name;
- ▶ current balance;
- ▶ date the account was opened;
- ▶ timeliness of payments;
- ▶ number of late payments;
- ▶ credit limit or loan amount.

A consumer reporting company may separate this information into "accounts in good standing" and "accounts past due."

Be sure everything in your credit report is correct, down to the letter and number. Are account numbers correct? Is the payment history up to date? Check the report against your own records. Even small mistakes can cause big headaches later on.

Many people are surprised to find accounts they thought were closed are still listed as open. If you find this, contact the creditor and officially close the old, inactive account.

Inquiries: listing all companies and individuals who have asked to see your credit history. There are two types of inquiries.

- ◉ **Hard inquiries**, which you initiate, include applications for credit, housing, or loans. Creditors, employers, insurance companies, or landlords can see the hard inquiries when they evaluate your creditworthiness. **TIP** ▶ *Be sure you really made all of the hard inquiries.*

- ◉ **Soft inquiries** are created when companies look at your report before they send you a pre-approved offer, when you request your credit report, and when your existing creditors monitor your account. You are the only person who can see soft inquiries, and they do not have an impact on your creditworthiness. **TIP** ▶ *You can stop the CRCs from giving your information to companies who want to send you pre-approved credit offers. Call 1-888-5-OPT-OUT.*

Public Records: These records stay on your report for different lengths of time:

- ◉ tax liens;
- ◉ foreclosures;
- ◉ bankruptcy files;
- ◉ unpaid court judgments, including child support judgments;
- ◉ criminal convictions.

Q. What are some common errors I might find on my credit report?

A. Information on your credit history comes in from many different

sources. Each CRC may have slightly different information, or even slightly different mistakes, in your report, so it's important to check all three reports. Remember: serious errors on your report can affect your ability to get a loan, a job, or insurance, and could make you pay a higher interest rate to borrow money. As you read the reports, look for these errors:

- ◉ Information that **is** about you, but includes mistakes:
 - ▶ misspellings or numerical mistakes in birthdates or addresses;
 - ▶ the same loan listed more than once;
 - ▶ a lack of positive information—for example, that you paid up a delinquent account, or resolved a legal matter;
 - ▶ accounts that are closed but are listed as still open.
- ◉ Information that does not belong on your report:
 - ▶ For example, information about Mr. Johnson Sr. might be included in the report for Mr. Johnson Jr., or Rob Smith's information might be included in Robert Smith's report.
- ◉ Information that is about you but is very old and should be removed:
 - ▶ old addresses, employers, or a previous spouse's information.





If you choose to mail in your request for the free credit reports, use this tear-out form.

There's only one source for the free reports, but you can request them on-line, by phone, or by mail. Here's how:

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You can request one, two, or all three reports at a time. It's up to you. You'll have to give your name, address, Social Security number, and date of birth to get your reports. You may also have to answer some questions with information that only you would know—such as the amount of your monthly mortgage or car payment. This is to protect the security of your credit information.

Q. How long can a CRC report negative information?

- A. Only the passage of time will remove most accurate negative information. Most accurate negative information remains for seven years. Information about a lawsuit or an unpaid judgment against you can be reported for seven years or until the statute of limitations runs out, whichever is longer. Bankruptcy information can be reported for 10 years. There is no time limit for reporting information about criminal convictions.

Q. What can I do about errors on my report?

- A. You can dispute information *for free*.
1. As soon as possible, write to both the CRC *and* the person or company who gave the information to the CRC. If the problem is with your credit card, write to the credit card company. Include your full name, address, and clearly identify every item you dispute. Explain the facts and what information you think is inaccurate. Ask them to cancel or delete the information. Send copies, not originals, of documents that support your position. Send the letter by certified mail, return receipt requested, for proof that the CRC got the letter.
 2. Usually, the CRC must investigate within 30 days and send copies of your dispute to the information provider. The information provider (for example, your credit card company)

must investigate, and send results to the CRC. If the information provider finds that the information *was* wrong, as you claimed, it must notify every national CRC. Then, the incorrect information must be deleted.

3. When the investigations are over, the CRC must give you written results and a copy of your report, if they made changes because of your dispute. This free report does not count as your annual free report. You can ask the CRC to send a correction notice to anyone who got your report in the last six months. If an item is changed or removed, the CRC cannot put it back in your file—unless the information provider can prove that the information is accurate and complete. Even then, the CRC must give you written notice.

Q. What if the CRC or information provider won't change the item I dispute?

- A. You can ask the CRC to include a statement of the dispute in your file. It will appear in future reports. You can also ask the CRC to send your statement to anyone who got a copy of your report recently, but there may be a fee for this. If you tell an information provider that you dispute an item, your dispute notice must be included each time the information provider reports the item to one of the CRCs.

Q. Who can help me fix problems in my credit report?

A. **No one can legally remove accurate, current negative information from your report.**

Everything a credit repair company will do for a fee, you can do yourself for low cost or no cost. Don't believe the companies who offer to 'erase bad credit', 'create a new credit identity', or 'remove bankruptcies & judgments from your file forever.' Companies that promise to clean up your credit report for money *cannot* make good on the promise. The money you pay these companies will be lost forever, and your credit report will not be repaired.

If you decide to get help with your report, choose a company that obeys the law. Under law, credit repair companies must give you:

- ◉ a written contract listing your rights and obligations;
- ◉ an explanation of the total cost of services;
- ◉ a description of the work they will do;
- ◉ a statement of any guarantees they make; and
- ◉ the full company name and address.

Watch for danger signs when you choose a company. Avoid a company that:

- ◉ charges you for services before they complete the promised services;
- ◉ starts doing work for you before you have signed a written contract and waited 3 days. During the 3-day period, you can cancel the contract without paying any fees;

- ◉ does not explain your rights and what you can do for free;
- ◉ says you should not call the CRC yourself;
- ◉ urges you to invent a 'new' credit report for yourself by applying for an employer identification number to use instead of your Social Security number. It is illegal to apply for an employer identification number under false pretenses, and to buy a new Social Security number.

Monitoring Your Credit

Q. What is a credit monitoring service?

A. With the growing concern about identity theft, many companies now offer credit monitoring services for a fee. Some consumers prefer to monitor their credit reports and personal information by themselves for free; others choose to purchase a service to handle some of the tasks.

A credit monitoring service will keep an eye on your credit report, keep track of certain kinds of changes, and send activity reports to you. For example, a service could alert you if someone tried to get credit in your name. Some services also provide you with additional copies of your credit report or help with resolving problems you discover on your report.

When you consider whether a credit monitoring service is right for you, ask:

- ◉ Does this service track my credit with all three major consumer reporting companies (Equifax,

Experian, and TransUnion)? These companies can have different information about you and it is important to look at all three reports.

- ◉ Will the service notify me immediately about new activity on my credit files? How will I be notified?
- ◉ Exactly what services will I get for my money? Does the fee cover daily credit monitoring, all three credit reports, credit scores, help with resolving problems, or insurance coverage for expenses related to recovering your identity?

Q. How can I monitor my credit?

- A. Check your credit report regularly to catch mistakes or fraud quickly. Watch for any changes you did not make. Your new right to free credit reports can help with this. Instead of ordering reports from all three CRCs at the same time, you can order one report from a different CRC every four months. That way, you will get three reports in a 12-month period and be better able to check your credit report for changes or problems. You may also choose to buy your credit reports for about \$9 each at any time in the year.

Keeping Your Personal Information Safe

Q. What are signs of fraud or identity theft on my credit report?

- A. Your credit report may show that someone is using your personal information: your name; Social

Security number; credit card number; or other identifying information. Look for these signs:

- ◉ new credit card accounts, loans, or other financial commitments you didn't make;
- ◉ inquiries you didn't make;
- ◉ bad debts on your own accounts, or debts on accounts that you didn't open;
- ◉ legal actions that you don't know about.

Q. What should I do if my identity has been stolen?

- A. **Contact the fraud departments of any one of the three major CRCs and put a fraud alert on your credit file.**

The alert means that creditors will contact you before they open any new accounts or make changes to existing accounts.

Close accounts that you think have been taken over or opened fraudulently. Use the "ID Theft Affidavit" when you dispute new unauthorized accounts. You can find the affidavit at: www.consumer.gov/idtheft.

File a police report. Send a copy of the report to your creditors and others that may require proof of the crime.

File a complaint with the Federal Trade Commission (FTC). The FTC keeps a database of identity theft cases for law enforcement agencies. Your complaint helps law enforcement learn more about the crime and victims' experiences. Call 1-877-ID-THEFT or go to www.consumer.gov/idtheft.

Find out more about protecting yourself and recovering from ID theft.

Call 1-888-OUR-AARP to order the booklet: "ID Theft: What's It All About?" It's free.

Ask your state Department of Motor Vehicles to use an alternate number, not your Social Security number, on your license. Never print your Social Security number on your bank checks. Do not carry your Social Security card with you.

Q. How can I protect my personal information?

A. Here are some steps that each consumer should take.

- ◻ Regularly review your credit card and other financial statements.
- ◻ Shred credit card receipts, credit applications, bank checks and financial statements.
- ◻ Limit the number of identification cards that you carry.
- ◻ Refuse to give out personal information over the phone unless you have initiated the call.
- ◻ Order and review a copy of your credit report.
- ◻ Tell consumer reporting companies that you do not want to receive unsolicited credit or insurance offers. Call 1-888-5-OPT-OUT.
- ◻ Sign up for the national Do Not Call Registry: 1-888-382-1222 or www.donotcall.gov.

These steps will reduce the likelihood that you will be a victim of common scams. They'll also help you take more control of who contacts you and keep you on the path to healthy credit.

Q. When do I have to give out my Social Security number?

A. It is best to keep your Social Security number as private as possible. An identity thief can use your Social Security number to get access to your bank accounts, credit accounts, medical records, health insurance accounts and much more.

By law, you must give your Social Security number to some government agencies. For example, you must supply it when you apply for a driver's license or passport and to purchase U.S. Savings Bonds. In other cases, a business will ask for your Social Security number because the IRS requires it. You must give your Social Security number to your employer and financial institutions so they can report wages and taxes.

Often, other agencies and private businesses ask for your number although they are not legally required to do so. Most credit card applications ask for your Social Security number. Businesses will ask for your Social Security number so they can check your credit, or because they use it for record keeping purposes. You can always ask a business, including your doctor's office, to use a substitute number.

Think carefully before you give out your number by telephone, on a form, or over the Internet. Before you give your number, ask:

- ◻ Why do you need my number?
- ◻ What law requires me to give it?
- ◻ How will you use it?
- ◻ What will happen if I refuse to give my number?

The answers to these questions will help you decide whether to give your number.

Improving Your Credit Report and Score

Q. How do I improve my credit report and score?

A. The best way to improve your score is to avoid doing the things that lower your score. Every time you apply for credit, make a payment, or miss a payment, you add information to your credit report and that affects your credit score. The companies that calculate credit scores don't reveal exactly how they do it, but they do offer general ideas for consumers. Learn more at www.myfico.com.

Pay on time. One of the best ways to boost your score is to improve your record of paying on time. Timely payments on all your debts is a must. Check your bills to see when payments are due; it may be sooner than you think. Late fees and interest penalties add up quickly and make it hard to pay the balance.

Pay more than minimum. Pay as much as you can on every account, and *never* less than the minimum.

Stay below the limit. Your credit score also considers how much credit is available to you and how you use that

credit. If you regularly charge close to the maximum level on your charge card you will hurt your credit score.

Have fewer accounts. If you apply for store credit to get a special offer or discount, you may harm your score, even if you don't use the store account often. Opening a new account and transferring your existing balances to the new account will not improve your score.

Group your inquiries. When you shop for a loan, each lender will check your credit history. Every "inquiry" is listed on your credit report. The credit scoring system sees too many inquiries as a sign of risk. Avoid this problem by comparison shopping within a short time period. If you make several inquiries about one type of loan, say a car loan, within one month, FICO counts this as only one inquiry. When you check your own report (make an "inquiry") you do not harm your score.

Wait for progress. A bankruptcy or series of late payments can lower your score quickly, and it will take time to recover. It is important to stay on a positive track. The credit scoring formulas give more weight to the recent positive history, and older poor performance fades away. ■

We hope this has helped you on the way to healthier credit. For still more information, visit www.aarp.org/money.

AARP is a nonprofit, nonpartisan membership organization that helps people 50+ have independence, choice and control in ways that are beneficial and affordable to them and society as a whole. We produce *AARP The Magazine*, published bimonthly; *AARP Bulletin*, our monthly newspaper; *AARP Segunda Juventud*, our bimonthly magazine in Spanish and English; *NRTA Live & Learn*, our quarterly newsletter for 50+ educators; and our website, www.aarp.org. AARP Foundation is our affiliated charity that provides security, protection, and empowerment to older persons in need with support from thousands of volunteers, donors, and sponsors. We have staffed offices in all 50 states, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands.



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